

WINTERSET COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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Winterset Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 election)		
Randy Snyder	President	2007
Cindy Daggett	Vice President	2005
Chad Emanuel	Board Member	2005
Gretchen Holcomb	Board Member	2007
Jeff Nicholl	Board Member	2006
Board of Education (After September 2005 election)		
Randy Snyder	President	2007
Jeff Nicholl	Vice President	2006
Chad Emanuel	Board Member	2008
Shane Pashek	Board Member	2008
Gretchen Holcomb	Board Member	2007
School Officials		
Dr. Doyle F. Scott	Superintendent	2006
Ben M. Applegate	Business Manager/Board Secretary	2006
Ahlers Law Firm	Attorney	2006

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(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Winterset Community School District, Winterset, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Winterset Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

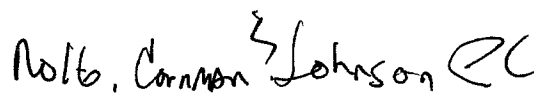
In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2006 on our consideration of the Winterset Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We

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have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Winterset Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

November 16, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winterset Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,480,548 in fiscal year 2005 to \$12,408,513 in fiscal year 2006, while General Fund expenditures increased from \$11,684,296 in fiscal 2005 to \$12,365,023 in fiscal 2006. This resulted in an increase in the District's General Fund balance from \$874,262 in fiscal 2005 to \$917,752 in fiscal 2006, a 4.97% increase from prior year.
- The increase in General fund revenues was attributed to an increase in property tax and state grant revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.
- Overall, the District increased in net assets in the governmental activities \$908,649 and decreased in the business-type activities \$10,187, respectively.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Winterset Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Winterset Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Winterset Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Winterset Community School District Annual Financial Report

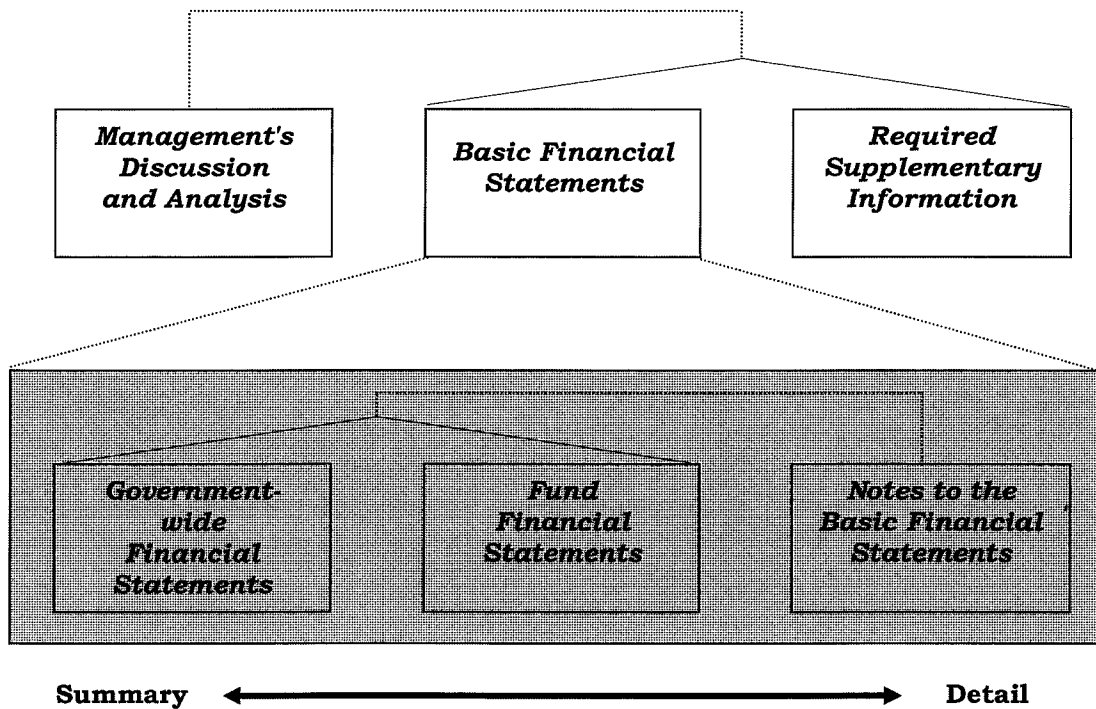


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 8,813,310	8,928,516	96,800	118,126	8,910,110	9,046,642	-1.51%
Capital assets	8,150,698	8,490,097	31,776	22,274	8,182,474	8,512,371	-3.88%
Total assets	16,964,008	17,418,613	128,576	140,400	17,092,584	17,559,013	-2.66%
Long-term obligations	3,197,415	3,954,082	0	0	3,197,415	3,954,082	-19.14%
Other liabilities	6,056,591	6,663,178	9,364	11,001	6,065,955	6,674,179	-9.11%
Total liabilities	9,254,006	10,617,260	9,364	11,001	9,263,370	10,628,261	-12.84%
Net assets:							
Investment in capital assets, net of related debt	6,634,459	5,697,881	31,776	22,274	6,666,235	5,720,155	16.54%
Restricted	171,171	149,103	0	0	171,171	149,103	14.80%
Unrestricted	904,372	954,369	87,436	107,125	991,808	1,061,494	-6.56%
Total net assets	\$ 7,710,002	6,801,353	119,212	129,399	7,829,214	6,930,752	12.96%

The District's combined net assets increased by 12.96%, or \$898,462, over the prior year. The largest portion of the District's net assets is the investment in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$22,068, or 14.80% over the prior year. The increase was primarily a result of the District increase in grant carryover balances as well as the increase in the Special Revenue, Student Activity Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$69,686, or 6.56%. This decrease in unrestricted net assets was primarily a result of the increase in early retirement liabilities to be paid in future years.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 787,854	754,140	361,913	349,005	1,149,767	1,103,145	4.23%
Operating grants and contributions and restricted interest	1,380,843	1,229,059	225,724	212,799	1,606,567	1,441,858	11.42%
Capital grants and contributions and restricted interest	14,722	53,875	0	0	14,722	53,875	-72.67%
General revenues:							
Property tax	5,045,219	4,939,381	0	0	5,045,219	4,939,381	2.14%
Local option sales and services tax	790,155	715,468	0	0	790,155	715,468	10.44%
Unrestricted state grants	6,773,893	6,099,774	0	0	6,773,893	6,099,774	11.05%
Other	85,652	72,299	2,606	1,539	88,258	73,838	19.53%
Transfers in	0	25,000	0	0	0	25,000	-100.00%
Total revenues and transfers	14,878,338	13,888,996	590,243	563,343	15,468,581	14,452,339	7.03%
Program expenses:							
Governmental activities:							
Instructional	8,747,795	8,387,915	0	0	8,747,795	8,387,915	4.29%
Support services	4,181,085	3,416,060	0	0	4,181,085	3,416,060	22.39%
Non-instructional programs	11,651	15,511	601,556	565,547	613,207	581,058	5.53%
Other expenditures	1,029,158	1,051,393	0	0	1,029,158	1,051,393	-2.11%
Total expenses	13,969,689	12,870,879	601,556	565,547	14,571,245	13,436,426	8.45%
Changes in net assets before capital contributions	908,649	1,018,117	(11,313)	(2,204)	897,336	1,015,913	-11.67%
Capital contributions	0	0	1,126	0	1,126	0	100.00%
Changes in net assets	908,649	1,018,117	(10,187)	(2,204)	898,462	1,015,913	-11.56%
Beginning net assets	6,801,353	5,783,236	129,399	131,603	6,930,752	5,914,839	17.18%
Ending net assets	\$ 7,710,002	6,801,353	119,212	129,399	7,829,214	6,930,752	12.96%

In fiscal 2006, property tax, local option sales and services tax and unrestricted state grants account for 84.75% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.56% of the revenue from business-type activities.

The District's total revenues were \$15,468,581 of which \$14,878,338 was for governmental activities and \$590,243 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 7.03% increase in revenues and a 8.45% increase in expenses. Property tax increased by \$105,838 to fund increases in

expenditures. The increases in expenses were related to increases in negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$14,878,338 and expenses were \$13,969,689.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-06	2006	2005	Change 2005-06
Instruction	\$ 8,747,795	8,387,915	4.29%	7,070,342	6,852,153	3.18%
Support services	4,181,085	3,416,060	22.39%	4,178,630	3,414,249	22.39%
Non-instructional programs	11,651	15,511	-24.89%	11,651	15,511	-24.89%
Other expenses	1,029,158	1,051,393	-2.11%	525,647	551,892	-4.76%
Totals	\$ 13,969,689	12,870,879	8.54%	11,786,270	10,833,805	8.79%

- The cost financed by users of the District's programs was \$787,854.
- Federal and state governments subsidized certain programs with grants and capital contributions totaling \$1,395,565.
- The net cost of governmental activities was financed with \$5,045,219 in local property tax, \$790,155 in local option sales and services tax, \$6,773,893 in unrestricted state grants, \$66,852 in interest income and \$18,800 in other general revenues.

Business-Type Activities

Revenues and capital contributions of the District's business-type activities were \$591,369 and expenses were \$601,556. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Winterset Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,538,192, above last year's ending fund balances of \$2,050,861. However, the primary reason for the increase in combined fund balances in fiscal 2006 is due to the District receiving local option sales and services tax which increased the Capital Project fund balance.

Governmental Fund Highlights

- The District's increase in its General Fund financial position from \$874,262 in fiscal 2005 to \$917,752 in fiscal 2006 is the product of many factors. Revenues increased due to increases in property taxes and state aid. The District's increase in General Fund expenditures was primarily due to increased salary and benefit costs.

- The Capital Projects Fund balance increased from \$534,095 in fiscal 2005 to \$900,521 in fiscal 2006 due to the District receiving more in local option sales and services tax than in the past year.
- The Management Fund balance decreased from \$63,438 in fiscal 2005 to \$47,469 in fiscal 2006 due to the increase in early retirement participation and insurance costs. The Management Fund expenditures include early retirement benefits, property and liability insurance coverage, worker's compensation insurance and unemployment benefits. The District levies for retirement benefits the budget year following the expense.
- The Student Activity Fund balance increased from \$136,193 in fiscal 2005 to \$153,887 in fiscal 2006 due to the variance of student activities from year to year.
- The Physical Plant and Equipment Levy Fund balance increased from \$263,700 in fiscal 2005 to \$334,421 in fiscal 2006 due to increased revenues in property tax and a federal fire safety grant. The District follows a five-year capital improvement plan that is reviewed annually.
- The Debt Service Fund balance increased from \$179,173 to \$184,142 due to normal operations of paying debt principal and interest.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$129,399 at June 30, 2005, to \$119,212 at June 30, 2006, representing a decrease of 7.87%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$9,865 less than budgeted revenues, a variance of .06%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services function due to the account code changes for expenditures. The Department of Education required the District to upload the certified annual report at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$8.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.88% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$371,379.

The original cost of the District's capital assets was \$15.3 million. Governmental funds account for \$15.0 million with the remainder of \$0.3 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$7,045,052 at June 30, 2006, compared to \$7,258,206 reported at June 30, 2005. This significant decrease resulted from the current year depreciation.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 318,535	318,535	0	0	318,535	318,535	0.00%
Buildings	7,045,052	7,258,206	0	0	7,045,052	7,258,206	-2.94%
Land improvements	532,866	578,632	0	0	532,866	578,632	-7.91%
Machinery and equipment	254,245	334,724	31,776	22,274	286,021	356,998	-19.88%
Total	\$ 8,150,698	8,490,097	31,776	22,274	8,182,474	8,512,371	-3.88%

Long-Term Debt

At June 30, 2006, the District had \$3,197,415 in general obligation and other long-term debt outstanding. This represents a decrease of 19.14% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds of \$2,555,000 at June 30, 2006.

The District had outstanding Capital Loan Notes of \$360,000 payable from the Physical Plant and Equipment Fund at June 30, 2006.

The District had outstanding Early Retirement benefits of \$282,415 payable from the Special Revenue, Management Fund at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2006	2005	2005-06
General obligation bonds	\$ 2,555,000	3,045,000	-16.09%
Capital loan notes	360,000	700,000	-48.57%
Early retirement	282,415	209,082	35.07%
Totals	\$ 3,197,415	3,954,082	-19.14%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The District has experienced steady to slightly increasing enrollment for the past four years. The District expects continued increases in enrollment due to housing development in the city of Winterset and Madison County.

- Every year the District negotiates new agreements with the Winterset Community Education Association (WCEA) for teachers and the Winterset Educational Support Employees Association (WESEA) for support personnel. Any settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ben M. Applegate, Board Secretary/Treasurer and Chief Financial Officer, Winterset Community School District, 224 E. Hwy 92, Suite B, PO Box 30, Winterset, Iowa, 50273-0030.

BASIC FINANCIAL STATEMENTS

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and pooled investments	\$ 2,960,433	70,515	3,030,948
Receivables:			
Property tax:			
Delinquent	78,729	0	78,729
Succeeding year	5,008,405	0	5,008,405
Income surtax	238,850	0	238,850
Accounts	10,658	9,910	20,568
Due from other governments	516,235	0	516,235
Inventories	0	16,375	16,375
Capital assets, net of accumulated depreciation (Note 5)	8,150,698	31,776	8,182,474
Total assets	16,964,008	128,576	17,092,584
Liabilities:			
Accounts payable	53,422	527	53,949
Salaries and benefits payable	973,941	2,319	976,260
Interest payable	20,323	0	20,323
Deferred revenue:			
Succeeding year property tax	5,008,405	0	5,008,405
Other	500	0	500
Unearned revenue	0	6,518	6,518
Long-term liabilities (Note 6):			
Portion due within one year:			
Bonds payable	515,000	0	515,000
Capital loan notes payable	360,000	0	360,000
Early retirement payable	58,253	0	58,253
Portion due after one year:			
Bonds payable	2,040,000	0	2,040,000
Early retirement payable	224,162	0	224,162
Total liabilities	9,254,006	9,364	9,263,370
Net assets:			
Investment in capital assets, net of related debt	6,634,459	31,776	6,666,235
Restricted for:			
Beginning teacher mentoring program	2,615	0	2,615
Early intervention	14,669	0	14,669
Other special revenue purposes	153,887	0	153,887
Unrestricted	904,372	87,436	991,808
Total net assets	\$ 7,710,002	119,212	7,829,214

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 5,095,308	398,865	806,716	0	(3,889,727)	0	(3,889,727)
Special instruction	2,335,636	114,928	85,338	0	(2,135,370)	0	(2,135,370)
Other instruction	1,316,851	271,606	0	0	(1,045,245)	0	(1,045,245)
	8,747,795	785,399	892,054	0	(7,070,342)	0	(7,070,342)
Support services:							
Student services	381,703	0	0	0	(381,703)	0	(381,703)
Instructional staff services	502,764	0	0	0	(502,764)	0	(502,764)
Administration services	1,108,911	0	0	0	(1,108,911)	0	(1,108,911)
Operation and maintenance of plant services	1,335,973	0	0	0	(1,335,973)	0	(1,335,973)
Transportation services	851,734	2,455	0	0	(849,279)	0	(849,279)
	4,181,085	2,455	0	0	(4,178,630)	0	(4,178,630)
Non-instructional programs:							
Food service operations	11,651	0	0	0	(11,651)	0	(11,651)
	11,651	0	0	0	(11,651)	0	(11,651)
Other expenditures:							
Facilities acquisitions	119,093	0	0	14,722	(104,371)	0	(104,371)
Long-term debt interest	156,452	0	0	0	(156,452)	0	(156,452)
AEA flowthrough	488,789	0	488,789	0	0	0	0
Depreciation (unallocated)*	264,824	0	0	0	(264,824)	0	(264,824)
	1,029,158	0	488,789	14,722	(525,647)	0	(525,647)
Total governmental activities	13,969,689	787,854	1,380,843	14,722	(11,786,270)	0	(11,786,270)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	601,556	361,913	225,724	0	0	(13,919)	(13,919)
Total business-type activities	601,556	361,913	225,724	0	0	(13,919)	(13,919)
Total	\$ 14,571,245	1,149,767	1,606,567	14,722	(11,786,270)	(13,919)	(11,800,189)
General Revenues:							
Property tax for:							
General purposes					\$ 3,973,463	0	3,973,463
Debt service					552,033	0	552,033
Capital outlay					519,723	0	519,723
Local option sales and services tax					790,155	0	790,155
Unrestricted state grants					6,773,893	0	6,773,893
Unrestricted investment earnings					66,852	2,606	69,458
Other general revenues					18,800	0	18,800
Total general revenues					12,694,919	2,606	12,697,525
Changes in net assets before capital contributions					908,649	(11,313)	897,336
Capital contributions					0	1,126	1,126
Changes in net assets					908,649	(10,187)	898,462
Net assets beginning of year					6,801,353	129,399	6,930,752
Net assets end of year					\$ 7,710,002	119,212	7,829,214

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets:				
Cash and pooled investments:	\$ 1,699,668	563,266	697,499	2,960,433
Receivables:				
Property tax:				
Delinquent	56,377	0	22,352	78,729
Succeeding year	3,605,977	0	1,402,428	5,008,405
Income surtax	238,850	0	0	238,850
Interfund	0	0	25	25
Accounts	10,658	0	0	10,658
Due from other governments	178,937	337,255	43	516,235
Total assets	\$ 5,790,467	900,521	2,122,347	8,813,335
Liabilities and fund balances:				
Liabilities:				
Interfund payable	\$ 25	0	0	25
Accounts payable	53,422	0	0	53,422
Salaries and benefits payable	973,941	0	0	973,941
Deferred revenue:				
Succeeding year property tax	3,605,977	0	1,402,428	5,008,405
Income surtax	238,850	0	0	238,850
Other	500	0	0	500
Total liabilities	4,872,715	0	1,402,428	6,275,143
Fund balances:				
Reserved for:				
Debt service	0	0	184,142	184,142
Beginning teacher mentoring program	2,615	0	0	2,615
Early intervention	14,669	0	0	14,669
Unreserved:				
Undesignated:				
General	900,468	0	0	900,468
Capital projects	0	900,521	0	900,521
Management levy	0	0	47,469	47,469
Physical plant and equipment levy	0	0	334,421	334,421
Other special revenue purposes	0	0	153,887	153,887
Total fund balances	917,752	900,521	719,919	2,538,192
Total liabilities and fund balances	\$ 5,790,467	900,521	2,122,347	8,813,335

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds (page 16)	\$ 2,538,192
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	8,150,698
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	238,850
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(20,323)
Long-term liabilities, including bonds payable, capital loan notes payable and early retirement payable, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,197,415)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 7,710,002</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenue:				
Local sources:				
Local tax	\$ 3,687,491	790,155	1,357,539	5,835,185
Tuition	485,156	0	0	485,156
Other	97,571	7,616	301,363	406,550
State sources	7,817,951	0	895	7,818,846
Federal sources	317,690	0	14,722	332,412
Total revenues	12,405,859	797,771	1,674,519	14,878,149
Expenditures:				
Current:				
Instruction:				
Regular instruction	4,989,760	0	65,448	5,055,208
Special instruction	2,313,143	0	0	2,313,143
Other instruction	1,059,005	0	257,846	1,316,851
	8,361,908	0	323,294	8,685,202
Support services:				
Student services	356,743	0	1,223	357,966
Instructional staff services	503,366	0	1,028	504,394
Administration services	1,100,640	0	9,525	1,110,165
Operation and maintenance of plant services	1,059,157	103,399	183,100	1,345,656
Transportation services	494,420	231,165	48,754	774,339
	3,514,326	334,564	243,630	4,092,520
Non-instructional programs:				
Food service operations	0	0	11,651	11,651
Other expenditures:				
Facilities acquisitions	0	20,276	104,721	124,997
Long-term debt:				
Principal	0	0	830,000	830,000
Interest and fiscal charges	0	0	160,313	160,313
AEA flowthrough	488,789	0	0	488,789
	488,789	20,276	1,095,034	1,604,099
Total expenditures	12,365,023	354,840	1,673,609	14,393,472
Excess of revenues over expenditures	40,836	442,931	910	484,677
Other financing sources(uses):				
Transfer in	0	0	438,943	438,943
Transfer out	0	(76,505)	(362,438)	(438,943)
Sale of equipment	2,654	0	0	2,654
Total other financing sources(uses)	2,654	(76,505)	76,505	2,654
Net change in fund balances	43,490	366,426	77,415	487,331
Fund balance beginning of year	874,262	534,095	642,504	2,050,861
Fund balance end of year	\$ 917,752	900,521	719,919	2,538,192

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 18) \$ 487,331

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlay	\$ 24,975	
Depreciation expense	<u>(364,374)</u>	(339,399)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	189
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Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	830,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Early Retirement	(73,333)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>3,861</u>
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Changes in net assets of governmental activities (page 15)	<u><u>\$ 908,649</u></u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School Nutrition</u>
Assets:	
Cash and cash equivalents	\$ 70,515
Receivables:	
Accounts	9,910
Inventories	16,375
Capital assets, net of accumulated depreciation(Note 5)	<u>31,776</u>
Total assets	<u>128,576</u>
Liabilities:	
Accounts payable	527
Salaries and benefits payable	2,319
Unearned revenue	<u>6,518</u>
Total liabilities	<u>9,364</u>
Net assets:	
Investment in capital assets, net of related debt	31,776
Unrestricted	87,436
Total net assets	<u>\$ 119,212</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 361,913
Total operating revenues	<u>361,913</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	213,984
Benefits	63,449
Services	1,245
Supplies	315,873
Depreciation	7,005
Total operating expenses	<u>601,556</u>
Operating loss	<u>(239,643)</u>
Non-operating revenues:	
State sources	8,136
Federal sources	217,588
Interest income	2,606
Total non-operating revenues	<u>228,330</u>
Change in net assets before capital contributions	(11,313)
Capital contributions	<u>1,126</u>
Change in net assets	(10,187)
Net assets beginning of year	<u>129,399</u>
Net assets end of year	<u><u>\$ 119,212</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 359,168
Cash received from miscellaneous sources	230
Cash payments to employees for services	(279,412)
Cash payments to suppliers for goods or services	(298,329)
Net cash used in operating activities	<u>(218,343)</u>
Cash flows from non-capital financing activities:	
State grants received	8,136
Federal grants received	195,262
Net cash provided by non-capital financing activities	<u>203,398</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(15,381)
Net cash used in capital financing activities	<u>(15,381)</u>
Cash flows from investing activities:	
Interest on investments	2,606
Net cash provided by investing activities	<u>2,606</u>
Net decrease in cash and cash equivalents	(27,720)
Cash and cash equivalents at beginning of year	<u>98,235</u>
Cash and cash equivalents at end of year	<u>\$ 70,515</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (239,643)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	22,326
Depreciation	7,005
Increase in inventories	(3,954)
Increase in accounts receivable	(2,440)
Increase in accounts payable	417
Decrease in salaries and benefits payable	(1,979)
Decrease in unearned revenue	(75)
Net cash used in operating activities	<u>\$ (218,343)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 70,515</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$22,326.

During the year ended June 30, 2006, the District received capital contributions from the Special Revenue, Student Activity Fund of \$1,126 for partial payment on a new ice machine purchased.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Private Purpose Trust Scholarship	Agency
Assets:		
Cash and pooled investments	\$ 199,905	36,598
Accounts receivable	0	7,874
	<u>199,905</u>	<u>44,472</u>
Liabilities:		
Accounts payable	0	1,292
Due to other groups	0	43,180
	<u>0</u>	<u>44,472</u>
Net assets:		
Reserved for scholarships	<u>\$ 199,905</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2006

		<u>Private Purpose</u>
		<u>Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	4,907
Interest income		5,435
Total additions		<u>10,342</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>8,687</u>
Change in net assets		1,655
Net assets beginning of year		<u>198,250</u>
Net assets end of year	\$	<u><u>199,905</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Winterset Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Winterset, Iowa, and the predominate agricultural territory in Madison County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Winterset Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Winterset Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Madison County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for the current school year, which is paid in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current

period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 2,625,801</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The Certificates of Deposit over one year are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name. Certificates of Deposit are stated at fair value.

At June 30, 2006, the District had investments in Certificates of Deposit over one year as follows:

	Fair Value
Certificates of Deposit	<u>\$ 162,107</u>

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue, Student Activity	General	<u>\$ 25</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ 362,438
Debt Service	Capital Projects	<u>76,505</u>
Total		<u>\$ 438,943</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 318,535	0	0	318,535
Total capital assets not being depreciated	318,535	0	0	318,535
Capital assets being depreciated:				
Buildings	11,728,949	5,904	0	11,734,853
Land improvements	972,909	0	0	972,909
Machinery and equipment	2,034,145	19,071	39,623	2,013,593
Total capital assets being depreciated	14,736,003	24,975	39,623	14,721,355
Less accumulated depreciation for:				
Buildings	4,470,743	219,058	0	4,689,801
Land improvements	394,277	45,766	0	440,043
Machinery and equipment	1,699,421	99,550	39,623	1,759,348
Total accumulated depreciation	6,564,441	364,374	39,623	6,889,192
Total capital assets being depreciated, net	8,171,562	(339,399)	0	7,832,163
Governmental activities capital assets, net	\$ 8,490,097	(339,399)	0	8,150,698
Business-type activities:				
Machinery and equipment	\$ 253,769	16,507	5,000	265,276
Less accumulated depreciation	231,495	7,005	5,000	233,500
Business-type activities capital assets, net	\$ 22,274	9,502	0	31,776

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 5,776
Support services:	
Administration	1,980
Operation and maintenance of plant	3,495
Transportation	88,299
	<u>99,550</u>
Unallocated depreciation	264,824
Total governmental activities depreciation expense	<u>\$ 364,374</u>
Business-type activities:	
Food services	\$ 7,005
Total business-type activities depreciation expense	<u>\$ 7,005</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,045,000	0	490,000	2,555,000	515,000
Capital loan notes	700,000	0	340,000	360,000	360,000
Early retirement	209,082	116,146	42,813	282,415	58,253
Total	\$ 3,954,082	116,146	872,813	3,197,415	933,253

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 1998 Interest Rates	Principal	Interest	Total
2007	4.40 %	\$ 515,000	116,160	631,160
2008	4.50	545,000	93,500	638,500
2009	4.60	530,000	68,975	598,975
2010	4.60	555,000	44,595	599,595
2011	4.65	410,000	19,065	429,065
Total		\$ 2,555,000	342,295	2,897,295

Capital Loan Notes Payable

Details of the District's June 30, 2006 capital loan note indebtedness are as follows:

Year Ending June 30,	2002 Series A Interest Rates	Principal	Interest	2004 Series A Interest Rates	Principal	Interest
2007	3.50 %	\$ 220,000	7,700	2.75 %	\$ 70,000	1,925

Year Ending June 30,	2004 Series B Interest Rates	Principal	Interest	Total Principal	Total Interest
2007	2.75 %	\$ 70,000	1,925	\$ 360,000	11,550

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five to sixty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's salary calculated by using the salary in effect the last year of the employee's employment with the school district. Early retirement

benefits paid during the year ended June 30, 2006, totaled \$42,813 and were paid by the Special Revenue, Management Levy Fund. A liability has been recorded on the government-wide financial statements, Statement of Net Assets representing the District's commitment to fund non-current liabilities.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$517,302, \$479,948 and \$457,008 respectively, equal to the required contributions for each year.

(8) Risk Management

The Winterset Community School District was a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-funded to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to \$2.2 million. The District's share of this assessment which was paid with the 2004-2005 premiums was \$13,158 and the remainder of the assessment is an unknown liability as of June 30, 2006 and will be paid with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2006 were \$695,099.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

Winterset Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$488,789 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

(11) Administration Office Lease

The District entered into a lease agreement to rent a building for the administration office. Per the terms of the lease agreement, the District has agreed to pay \$1,500 a month through May 31, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

WINTERSET COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual	Actual			Variance -
						Positive
						(Negative)
Revenues:						
Local sources	\$ 6,726,891	364,519	7,091,410	7,154,373	7,154,373	(62,963)
State sources	7,818,846	28,583	7,847,429	7,762,874	7,762,874	84,555
Federal sources	332,412	197,141	529,553	561,010	561,010	(31,457)
Total revenues	14,878,149	590,243	15,468,392	15,478,257	15,478,257	(9,865)
Expenditures:						
Instruction	8,685,202	0	8,685,202	8,829,117	8,829,117	143,915
Support services	4,092,520	0	4,092,520	3,912,525	3,912,525	(179,995)
Non-instructional programs	11,651	601,556	613,207	634,694	634,694	21,487
Other expenditures	1,604,099	0	1,604,099	1,823,846	1,823,846	219,747
Total expenditures	14,393,472	601,556	14,995,028	15,200,182	15,200,182	205,154
Excess(deficiency) of revenues over(under) expenditures	484,677	(11,313)	473,364	278,075	278,075	195,289
Other financing sources, net	2,654	1,126	3,780	0	0	3,780
Excess(deficiency) of revenues and other financing sources over(under) expenditures	487,331	(10,187)	477,144	278,075	278,075	199,069
Balance beginning of year	2,050,861	129,399	2,180,260	2,324,239	2,324,239	(143,979)
Balance end of year	\$ 2,538,192	119,212	2,657,404	2,602,314	2,602,314	55,090

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

WINTERSET COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Nonmajor Special Revenue Funds				Total	
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets:						
Cash and pooled investments	\$ 42,694	153,862	325,877	522,433	175,066	697,499
Receivables:						
Property tax:						
Current year delinquent	4,765	0	8,528	13,293	9,059	22,352
Succeeding year	300,000	0	547,273	847,273	555,155	1,402,428
Interfund	0	25	0	25	0	25
Due from other governments	10	0	16	26	17	43
Total assets	\$ 347,469	153,887	881,694	1,383,050	739,297	2,122,347
Liabilities and fund equity:						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 300,000	0	547,273	847,273	555,155	1,402,428
	300,000	0	547,273	847,273	555,155	1,402,428
Fund equity:						
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	184,142	184,142
Unreserved:						
Undesignated	47,469	153,887	334,421	535,777	0	535,777
Total fund balances	47,469	153,887	334,421	535,777	184,142	719,919
Total liabilities and fund equity	\$ 347,469	153,887	881,694	1,383,050	739,297	2,122,347

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	Nonmajor Special Revenue Funds					Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Revenues:						
Local sources:						
Local tax	\$ 285,783	0	519,723	805,506	552,033	1,357,539
Other	10,983	274,542	11,909	297,434	3,929	301,363
State sources	190	0	328	518	377	895
Federal sources	0	0	14,722	14,722	0	14,722
Total revenues	296,956	274,542	546,682	1,118,180	556,339	1,674,519
Expenditures:						
Current:						
Instruction:						
Regular instruction	65,448	0	0	65,448	0	65,448
Other instruction	998	256,848	0	257,846	0	257,846
Support services:						
Student support	1,223	0	0	1,223	0	1,223
Instructional staff support	1,028	0	0	1,028	0	1,028
Administration services	9,525	0	0	9,525	0	9,525
Operation and maintenance of plant services	183,100	0	0	183,100	0	183,100
Student transportation	39,952	0	8,802	48,754	0	48,754
Non-instructional programs:						
Food service operations	11,651	0	0	11,651	0	11,651
Other:						
Facilities acquisition	0	0	104,721	104,721	0	104,721
Long-term debt:						
Principal	0	0	0	0	830,000	830,000
Interest and fiscal charges	0	0	0	0	160,313	160,313
Total expenditures	312,925	256,848	113,523	683,296	990,313	1,673,609
Excess(deficiency) of revenues over(under) expenditures	(15,969)	17,694	433,159	434,884	(433,974)	910
Other financing sources(uses)						
Transfer in	0	0	0	0	438,943	438,943
Transfer out	0	0	(362,438)	(362,438)	0	(362,438)
Total other financing sources(uses)	0	0	(362,438)	(362,438)	438,943	76,505
Net change in fund balances	(15,969)	17,694	70,721	72,446	4,969	77,415
Fund balance beginning of year	63,438	136,193	263,700	463,331	179,173	642,504
Fund balance end of year	\$ 47,469	153,887	334,421	535,777	184,142	719,919

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Elementary School:				
Interest	\$ 3,122	112	3,234	0
Champs	1,014	590	(973)	2,577
PTO	26	0	0	26
Memory Book	958	2,597	1,211	2,344
	<u>5,120</u>	<u>3,299</u>	<u>3,472</u>	<u>4,947</u>
Middle School:				
Interest	3,388	1,563	4,951	0
Band Resale	(1,654)	2,107	2,270	(1,817)
Champs	1,255	1,085	248	2,092
Field Trips	128	641	769	0
Magazine Fund	27,135	31,905	25,430	33,610
Recorders	25	0	0	25
Honor Club	0	345	345	0
Tech Projects	224	0	0	224
Supply Hut	(31)	0	0	(31)
Vocal	(11)	0	(11)	0
Band	0	2,727	2,587	140
Activity Tickets	11,490	5,299	4,387	12,402
Uniform	3,766	0	0	3,766
Cross Country	0	70	70	0
Boys Basketball	0	1,306	1,306	0
Football	30	1,125	1,155	0
Baseball	(175)	0	(175)	0
Boys Track	0	776	70	706
Wrestling	69	476	545	0
Girls Basketball	0	431	431	0
Volleyball	0	1,474	1,474	0
Softball	(175)	0	(175)	0
Girls Track	0	175	0	175
Cheerleaders	1,235	0	0	1,235
Yearbook	0	2,185	0	2,185
Student Council	16	103	0	119
TSA	1,682	0	0	1,682
	<u>48,397</u>	<u>53,793</u>	<u>45,677</u>	<u>56,513</u>
High School:				
Activity Tickets	355	20,040	18,853	1,542
Interest	427	3,907	4,872	(538)
Band Resale	(778)	1,528	1,711	(961)
Champs	1,677	569	2,077	169
Concessions	333	9,186	8,217	1,302
Pop Machine	1,542	6,726	6,489	1,779
Play	427	4,426	2,828	2,025
Debate	142	0	142	0
Forensic	0	4,545	4,175	370
Vocal	77	4,571	4,648	0

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High School(Continued):				
Band	4,119	7,524	7,503	4,140
Color Guard	137	0	113	24
Uniforms	329	3,948	2,850	1,427
Weightlifting	1,216	2,984	3,233	967
Cross Country	3,281	1,400	3,278	1,403
Boys Basketball	1,306	5,324	4,156	2,474
Football	7,792	19,086	15,476	11,402
Boys Soccer	(883)	6,686	3,738	2,065
Baseball	260	5,765	6,025	0
Boys Track	1,182	2,798	2,620	1,360
Golf	25	0	25	0
Wrestling	(4,067)	16,282	6,519	5,696
Girls Basketball	4,556	3,820	4,931	3,445
Volleyball	776	5,820	5,342	1,254
Girls Soccer	2,402	11,016	11,477	1,941
Softball	172	7,194	7,366	0
Girls Track	49	4,620	4,123	546
Cheerleaders	4,546	9,571	13,331	786
Girls Golf	202	345	453	94
Drill Team	461	4,657	5,112	6
Class of 2004	524	0	524	0
Class of 2005	1,688	505	2,193	0
Class of 2006	4,492	648	5,140	0
Class of 2007	3,477	2,508	2,830	3,155
Class of 2008	1,597	1,663	288	2,972
Class of 2009	500	1,217	288	1,429
Class of 2010	0	500	0	500
AFS	650	824	1,187	287
Boomerang	7,717	9,741	11,779	5,679
FBLA	152	5,204	5,239	117
FCCLA	3,120	432	217	3,335
MOC	170	956	567	559
Pep Club	3,229	1,828	2,131	2,926
Renaissance	400	388	250	538
SADD	134	0	0	134
Science Club	1,827	1,193	713	2,307
Student Council	529	0	(5,366)	5,895
TSA	339	2,738	2,830	247
WHS-TV	6,985	5,832	3,647	9,170
Y-Teen	4,610	269	505	4,374
FFA	7,910	6,067	10,688	3,289
Art Club	563	599	366	796
	82,676	217,450	207,699	92,427
Total	\$ 136,193	274,542	256,848	153,887

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and pooled investments	\$ 37,752	71,480	72,634	36,598
Accounts receivable	11,799	7,874	11,799	7,874
	<u>\$ 49,551</u>	<u>79,354</u>	<u>84,433</u>	<u>44,472</u>
Liabilities:				
Accounts payable	\$ 0	1,292	0	1,292
Due from other groups	49,551	78,062	84,433	43,180
	<u>\$ 49,551</u>	<u>79,354</u>	<u>84,433</u>	<u>44,472</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 5,835,185	5,654,849	4,843,031	4,737,178
Tuition	485,156	386,039	435,217	403,430
Other	406,550	494,275	800,215	774,362
Intermediate sources	0	0	1,431	3,422
State sources	7,818,846	7,007,351	6,528,915	6,603,697
Federal sources	332,412	321,482	376,857	290,180
Total	<u>\$ 14,878,149</u>	<u>13,863,996</u>	<u>12,985,666</u>	<u>12,812,269</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 5,055,208	4,948,992	4,573,554	4,473,533
Special instruction	2,313,143	2,023,852	2,104,456	1,912,833
Other instruction	1,316,851	1,328,124	924,385	991,563
Support services:				
Student services	357,966	360,342	350,360	354,185
Instructional staff services	504,394	372,882	335,889	330,199
Administration services	1,110,165	1,069,181	1,055,372	1,048,812
Operation and maintenance of plant services	1,345,656	1,125,081	1,194,716	1,049,166
Transportation services	774,339	549,379	545,414	471,362
Non-instructional programs	11,651	9,236	8,089	7,375
Other expenditures:				
Facilities acquisitions	124,997	314,833	284,342	463,481
Long-term debt:				
Principal	830,000	805,000	1,187,000	732,000
Interest and other charges	160,313	190,797	235,961	274,056
AEA flow-through	488,789	445,626	432,742	454,395
Total	<u>\$ 14,393,472</u>	<u>13,543,325</u>	<u>13,232,280</u>	<u>12,562,960</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION	10.550	FY 06	\$ 22,326
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	24,136
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	171,126
			<u>195,262</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	7056-G	<u>128,251</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES(TITLE V PROGRAM)	84.298	FY 06	<u>3,845</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 06	<u>10,278</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 06	<u>56,323</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 06	<u>9,768</u>
ELEMENTARY AND SECONDARY EDUCATION HURRICANE RELIEF PROGRAMS	84.938	FY 06	<u>6,000</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 06	<u>14,722</u>
UNIVERSITY OF IOWA:			
IOWA EXCELLANCE PROGRAM	84.215K	FY 05	490
UNIVERSITY OF IOWA:			
IOWA EXCELLANCE PROGRAM	84.215K	FY 06	530
			<u>1,020</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 05	<u>85,338</u>

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED) :			
AREA EDUCATION AGENCY (CONTINUED) :			
VOCATIONAL EDUCATION - BASIC			
GRANTS TO STATES	84.048	FY 05	876
VOCATIONAL EDUCATION - BASIC			
GRANTS TO STATES	84.048	FY 06	15,370
			<u>16,246</u>
DEPARTMENT OF HUMAN SERVICES:			
MEDICAL ASSISTANCE PROGRAM (MEDICAID)	93.778	FY 06	<u>1,987</u>
TOTAL			<u>\$ 551,366</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Winterset Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winterset Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 16, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winterset Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winterset Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Winterset Community School District and other parties to whom Winterset Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winterset Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

November 16, 2006

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Winterset Community School District:

Compliance

We have audited the compliance of Winterset Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Winterset Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Winterset Community School District's management. Our responsibility is to express an opinion on Winterset Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winterset Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winterset Community School District's compliance with those requirements.

In our opinion, Winterset Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Winterset Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Winterset Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention

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relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Winterset Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-06 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-06 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winterset Community School District and other parties to whom Winterset Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be use by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

November 16, 2006

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Winterset Community School District did not qualify as a low-risk auditee.

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- II-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash disbursements and cash receipts were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- II-B-06 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over one year.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - Checks which have been outstanding for over one year will be reported to the Great Iowa Treasure Hunt.

Conclusion - Response accepted.

- II-C-06 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity fund do not have supporting documentation.

Recommendation - The copy of the contract made for each official should be used as the support for payment.

Response - We will include a copy of each official's contract as support for payment.

Conclusion - Response accepted.

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2006
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Agency Numbers: 6854-G
Federal Award Year: 2006
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash disbursements and cash receipts were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

WINTERSET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Statutory Reporting

IV-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the support services function.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-06 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-06 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - We will comply with this recommendation.

Conclusion - Response accepted.